REMARKS

Reconsideration and allowance of the present patent application based on the following remarks are respectfully requested.

By this Amendment, claims 1, 12 and 13 are amended. Support for the amendments to the claims can be found throughout the original description. Accordingly, after entry of this Amendment claims 1-2 and 4-24 will remain pending in the patent application.

Specification

The disclosure was objected to because the acronyms FIFO and LIFO in paragraph 0019 of the specification are not defined. Accordingly, Applicant has amended paragraph 0019 in the specification to define the acronyms FIFO and LIFO. FIFO and LIFO are ubiquitous acronyms in the computing art.

Therefore, it is respectfully requested that the objection to the specification be withdrawn.

Claim Rejections – 35 USC §112

Claims 1, 7-9, 12, 13, 17-19, and 22 were rejected under 35 U.S.C. §112, second paragraph. Applicant respectfully traverses in part this rejection for at least the following reasons.

Claims 1 and 12 are amended herein so as to recite "computer" in the body of the claims. Therefore, claims 1 and 12 are in full compliance with §112, second paragraph.

The Examiner contends that "randomly allocating" is vague and indefinite. Applicant respectfully traverse this rejection. Applicant respectfully submits that "randomly allocating" is clear and defined in the specification. For example, Examiner's attention is directed to paragraph [0009] in specification where it is stated that "...allocating the securities to be sold beginning with a tax lot of a plurality of tax lots having a highest coast basis and proceeding to a tax lot with a lower cost basis. In another embodiment, the securities to be sold are allocated randomly to a plurality of tax lots. The securities are preferably allocated randomly, a plurality of times, to a plurality of tax lots associated with the securities to be sold. In this instance, an implied total short-term capital gain or loss that would result from the sale of the plurality of securities to be sold in accordance with each of the random allocations is computed and the allocation, from the plurality of random allocations, that results in the smallest implied short-term capital gain or loss or one that most closely matches

a pre-set targeted short-term capital gain or loss is selected as the identified securities to be sold."

The Examiner contends that "rebalancing the investment portfolio if" is not limiting. The Examiner contends that this is a conditional limitation such that if the condition does not hold true, no limitation is claimed. Applicant respectfully traverses this rejection.

The limitation "rebalancing..." is limiting. Indeed, in the case of "if not," (i.e., the condition does not hold true) this implies automatically not rebalancing. Applicant submits that this is well known in "logic." For example, this is equivalent to the conjuncture, if $x = 0$ then $y = 1$, if not, i.e., if $x \neq 0$, then $y \neq 1$, necessarily. Therefore, there is no need to specify the "if not" portion of the condition as this is automatically understood by one of ordinary skill in the art.

Therefore, Applicant respectfully submits that claims 1, 7-9, 12, 13, 17-19, and 22 are fully compliant with §112, second paragraph. Thus, it is respectfully requested that the rejection of claims 1, 7-9, 12, 13, 17-19, and 22 under §112, second paragraph be withdrawn.

Claim Rejections – 35 USC §101

Claims 1, 2, 4-12 and 23 were rejected under 35 U.S.C. §101.

Applicant has amended method claims 1 and 12 to further link the method steps to the apparatus performing the method steps. Accordingly, Applicant respectfully submits that claims 1, 2, 4-12 and 23 are in full compliance with 35 U.S.C. §101.

Thus, it is respectfully requested that the rejection of claims 1, 2, 4-12 and 23 under 35 U.S.C. §101 be withdrawn.

Claim Rejections – 35 USC §103

Claims 1, 2, 4, 5, 9-11, 13-15 and 19-21 were rejected under 35 U.S.C. §103(a) based on U.S. Pat. No. 6,687,681 to Schulz *et al.* (hereinafter "Schulz") in view of U.S. Pub. No. 2003/0229561 to Wallman (hereinafter "Wallman") in further view of U.S. Pub. No. 2002/0174045 to Arena et al. (hereinafter "Arena"). Applicant respectfully traverses this rejection for at least the following reasons.

Schulz discloses a method for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses. Schulz discloses an accounting system for maintaining tax lot information for individual accounts and an optimization system for rebalancing each account to substantially model the index and for

harvesting tax losses (see, the Abstract in Schulz). For each tax lot, the difference between the present market value of the security and a past historical value of the security is calculated and compared to a predetermined tax loss threshold. If the difference meets or exceeds the tax loss threshold, the security is sold to provide tax losses for offsetting gains in the portfolio (col. 2, lines 46-55 in Schulz). The investment portfolio is also periodically rebalanced based on capitalization weight parameter and an index balance parameter (so as to track the index fund) (see, col. 2, lines 56-65 in Schulz).

Contrary to Examiner's contention, Schulz does not disclose, teach or suggest rebalancing the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. Schulz simply rebalances the portfolio to track an index. Clearly, Schulz does not track capital gains/losses.

Furthermore, as conceded by the Examiner, Schulz does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold. Moreover, Schulz does not disclose, teach or suggest computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

The Examiner contends, however, that Wallman teaches an interface to an automated portfolio manager system that allows an existing collectively owned investment account to specify its existing assets and the percentage ownership in the account of each of the individual owners of the collective account and discloses distributing a folio of securities held in the collective account, identifying specific tax lots for each owner, and randomly allocating shares to each owner. The Examiner contends that it would have been obvious to one of ordinary skill in the art to modify Schulz's disclosure to include identifying specific tax lots and randomly allocating shares to each owner as taught by Wallman. Applicant respectfully disagrees.

Wallman discloses a method and system for converting collectively owned investment accounts and pooled investment accounts and vehicles into individually owned accounts (see, paragraph 0013 in Wallman). The system in Wallman distributes the securities from the portfolio of the collective account into each of the portfolios for the individual owners in the proper percentages and amounts. The securities are distributed so that the mix of each of the portfolios of the individual owners is identical to the mix of the securities in the collective account portfolio before the distribution, and the value of the securities distributed to each of

the portfolios of the individual owners is proportional to the ownership interest of the respective individual in the collective account (see, paragraph 0043 in Wallman).

Wallman does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold. Wallman does not disclose, teach or suggest computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot. Clearly, Wallman does not allocate an investment portfolio security to at least one of a plurality of tax lots. Furthermore, Wallman does not compute an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

The Examiner contends that it would have been obvious to modify Schulz's disclosure to include randomly allocating shares to each owner as taught by Wallman. However, claim 1 recites randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold. The Examiner fails to consider the entirety of the language in claim 1. Clearly, as recited in claim 1, the investment portfolio is allocated to at least one of a plurality of tax lots. Claim 1 does not recite that the investment is allocated to "each owner."

Therefore, even if one were to combine Schulz and Wallman in the manner suggested by the Examiner, the resulting method or system would simply fail to disclose, teach or even suggest the subject matter recited in claim 1 as neither Schulz nor Wallman disclose, teach or suggest "randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold; computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot," as required in claim 1.

The Examiner further concedes that neither Schulz nor Wallman discloses rebalancing the investment portfolio if a short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses. The Examiner, However, contends that Arena discloses a system and method for cost effective relocation of assets among a plurality of investments (see, the Abstract in Arena) and discloses rebalancing so as to minimize transaction costs including capital gain taxes, tax penalties, income taxes, surrender charges, commissions and transaction fees (paragraph 0076 in Arena). The Examiner contends it would have been obvious to modify Schultz to account for short term capital gains as taught by Arena. Applicant respectfully disagrees.

Arena fails to remedy the deficiencies of Schulz and Wallman, taken alone or in combination. Arena discloses a mechanism for allocating assets among a plurality of investment products held by a particular investor. The mechanism of Arena first determines whether the assets of all the products are consistent with the inventor's desired models of investments (see, FIG. 2 in Arena). Then, instead of separately rebalancing each of the products when the products do not match the desired model, and thereby incurring transaction costs for each transaction, only one product may be rebalanced so that even if that product is not consistent with the model, the aggregation of all the products will be (see, paragraph 0079 in Arena). The system in Arena rebalances to minimize transaction costs including capital gain taxes, tax penalties, income taxes, surrender charges, commissions and transaction fees (see, paragraph 0076 in Arena).

However, the mechanism of Arena does *not* randomly allocate investment portfolio securities to tax lots associated with the investment portfolio securities nor does the mechanism of Arena compute the implied total short-term capital gain or loss that would result from the sale of the investment portfolio securities. Furthermore, Arena does not rebalance the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses.

Clearly, Arena does not randomly allocate an investment portfolio securities to associated tax lots, compute the short-term capital gain/loss that would result from the sale of the securities and then rebalance if the computed short-term gain/loss falls within a threshold.

In addition, even if one were to combine Schulz, Wallman and Arena, as suggested by the Examiner, which Applicant does not concede, the resulting combination, if at all possible, would still not teach the method of claim 1. Indeed, Schulz does not disclose, teach or suggest rebalancing the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. In addition, Schulz does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold; and computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot. Wallman also does not allocate an investment portfolio security to at least one of a plurality of tax lots, and does not compute an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

Clearly, none of Schulz, Wallman and Arena, taken alone or in combination, disclose, teach or suggest the subject matter recited in claim 1. Therefore, Applicant respectfully submits that claim 1 is patentable over the purported combination of Schulz, Wallman and Arena.

Claim 13 is also patentable over the purported combination of Schultz, Wallman and Arena for at least the reasons provided above for claim 1. Claims 2, 4, 5, 9-11, 14-15 and 19-21 depend from claim 1 or claim 13. Therefore, claims 2, 4, 5, 9-11, 14-15 and 19-21 are patentable for at least the same reasons provided above with respect to claims 1 and 13.

Claims 6-8, 12, 16-18 and 22 were rejected under 35 U.S.C. §103(a) based on Schulz in view of Wallman in further view of Arena and in further view of Francis ("Mutual-Fund Records Pay Off at Tax Time," Wall Street Journal, Eastern Edition, New York, N.Y., Nov. 16, 2001, pg. C1). Applicant respectfully traverses this rejection for at least the following reasons.

For at least the reasons provided above with respect to claim 1, Applicant respectfully submits that claim 12 is patentable over the purported combination of Schulz, Wallman and Arena. Claims 6-8, 16-18 and 22 which depend from claim 1 or claim 13 are also patentable over the purported combination of Schultz, Wallman and Arena.

Francis fails to cure the deficiencies noted above in the purported combination of Schulz, Wallman and Arena. Francis is relied upon as allegedly teaching using first-in, first out (FIFO) accounting and investors calculating fund gain or loss using specific share identification (specified lot sale) allowing investors to pick which lots of shares to sell.

Clearly, Francis does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold, as recited in claim 1. In addition, Francis does not disclose, teach or suggest computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot, as recited in claim 1. Furthermore, Francis does not rebalance an investment portfolio if the calculated short-term capital gain or loss falls within a threshold for short-term capital gains or losses, as recited in claim 1.

Moreover, Francis does not allocate randomly, a plurality of times, the securities to be sold to a plurality of tax lots nor compute an implied shot-term capital gain/loss that would result from the sale of the plurality of securities in accordance with each of the random

allocations, as recited in claim 12. In addition, Francis does not rebalance the investment portfolio if the implied short-term capital gain/loss for a selected random allocation falls within a threshold.

Therefore, none of Schultz, Wallman, Arena and Francis, alone or in combination, disclose, teach or suggest the subject matter recited in independent claims 1, 12 and 13.

Therefore, Applicant respectfully submits that claim 12 and claims 6-8, 16-18 and 22 which depend from claim 1 or claim 13 are patentable over the purported combination of Schulz, Wallman, Arena and Francis.

Claims 23 and 24 were rejected under 35 U.S.C. §103(a) based on Schulz in view of Wallman in further view of Arena and in further view of Official Notice. Applicant respectfully traverses this rejection for at least the following reasons.

Claims 23 and 24 depend from, respectively, claim 1 and claim 13. Therefore, for at least the reasons provided above with respect to claims 1 and 13, claims 23 and 24 are patentable over Schulz, Wallman and Arena, taken alone or in combination.

The Official Notice fails to overcome the deficiencies noted above in the purported combination of Schulz, Wallman and Arena. Therefore, Applicant respectfully submits that the purported combination of Schulz, Wallman and Arena in further view of the Official Notice also fails to disclose, teach or even suggest the subject matter recited in claim 1 or claim 13.

Therefore, for at least the above reason, Applicant respectfully submits that claim 23 and 24 which depend from, respectively, claim 1 and claim 13 are patentable over the purported combination of Schulz, Wallman and Arena in further view of the Official Notice.

Moreover, claim 23 and 24 are further patentable for the subject matter recited therein. Indeed, the Examiner takes Official Notice that one having ordinary skill in the art would use summing short-term gain or losses of each investment portfolio security to be sold. Applicant respectfully disagrees.

Applicant respectfully submits that Official Notice unsupported by documentary evidence should only be taken by the Examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known (see, MPEP 2144.3 A). It would not be appropriate for the Examiner to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-

known. It is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based. *Zurko,* 258 F.3d at 1385, 59 USPQ2d at 1697.

In this case, although the mathematical operation of summing is well known, the operation of summing the short-term gain or losses of each of the at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio is not disclosed in the cited prior art.

Therefore, Applicant respectfully submits that claims 23 and 24 are further patentable for the above additional reason.

CONCLUSION

The rejections having been addressed, Applicant respectfully submits that the application is in condition for allowance, and a notice to that effect is earnestly solicited.

If any point remains in issue which the Examiner feels may be best resolved through a personal or telephone interview, please contact the undersigned at the telephone number listed below.

Please charge any fees associated with the submission of this paper to Deposit Account Number 033975. The Commissioner for Patents is also authorized to credit any over payments to the above-referenced Deposit Account.

Respectfully submitted,

PILLSBURY WINTHROP SHAW PITTMAN LLP

CHRISTOPHE F. LAIR
Reg. No. 54248
Tel. No. 703.770.7797
Fax No. 703.770.7901

JSB/CFL/KG
P.O. Box 10500
McLean, VA 22102
(703) 770-7900